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# The Background of Industrial Democracy

By JOHN LEITCH

TO me too much of the present day discussion, looking towards the attainment of a just relation between the employer and employe concerns itself with phrases which masquerade as principles. For instance, "profit-sharing," "collective bargaining," "union recognition," "labor is not a commodity," "democratic control of industry," are discussed as though each contained in itself something which would make the employer-employe relation perfectly fair and at the same time insure a continuance of industry.

Now, the relations of industry are human; they are concretely and not abstractly economic. If one believes, as I believe, that production for profit gives a more workable basis for society than production for use, then one must of necessity direct his thought to the end that the following results may be realized:

1. A fair profit for capital, depending upon the skill of its management.
2. A fair wage for labor, depending upon the skill of its performance.
3. A fair price to the public.

It does not help matters to confuse production for use and production for profit. It is quite impossible to ride both of these horses, although I notice a tendency among those who seem to believe that all mundane affairs may be settled by further discussion to ride the one horse and speak lovingly of the other.

Let me review a few of these phrases that pass as principles.

Take profit-sharing. We might hope for something in this direction if only human nature could be so arranged that every business would turn a profit. But we know that even in these times when it is so difficult for a manufacturer not to make a profit, at least one half of them do not have an excess of income over outgo. We also know that it is very rare for a new business to turn a profit which is worth mentioning until after at least five years of continuous struggle. Speaking in rather general terms,

I think an investigation would disclose that all the business adventures which are today well-founded and making large profits, have passed through many years on the non-profit basis. Of course, in this I exclude those concerns whose prosperity, if such it may be called, is due solely to the war. They are merely evidence that sometimes it pays to gamble.

Without going into the question of whether there is at any stage, a point of contact between the employer and the employe which could support the proposition that they are partners, I think it is quite useless to discuss profit-sharing, unless its proponents will invent profit insurance.

Take collective bargaining. It proceeds on the theory that labor should sell and capital should buy in bulk at an average grading. If the employer and the employe would severally view industry as an opportunity for service, then their respective remunerations would be cared for, as of course good work well done is bound to have its financial as well as its other rewards. But since this view of industry is not general, I am in favor of collective bargaining as a means of establishing what might be called a minimum wage. I am not in favor of the kind of collective bargaining in which the seller does not offer to sell value or the buyer to give value. Collective bargaining becomes pernicious when the mere presence of men and not the work that they will do is offered at a price. For then we tend to encourage that belief (which is growing throughout the world and which has been so fostered by opportunist governments) that industry is an automatic mechanism built by the Creator to pay wages and not to make goods. Those of us who have participated in industry, both as workers and as managers, know clearly that it is not automatic; that wages are paid solely on production; that wages cannot be raised by agreement but only by better production and that when we raise wages without bettering production, we are only adopting new symbols to express old values and not changing relative positions. Further, when we raise wages and lessen production, which is the habit of the world today, then we are really on our way to the destruction of both capital and labor, for we cannot get something for nothing.

The matter of union recognition and the participation of labor in the control of industry are nothing in themselves. If they

proceed on the theory that something may be had for nothing, then they will but destroy industry. We have to admit that any principle or thought entering into this whole relation is to be classed as helpful or as harmful according to whether it is constructive or merely protective or destructive. In our present state of society, we need a certain amount of protective regulation, but do not let us confuse protection with construction. Adding a dozen brakes to an automobile may make it a safer vehicle, but the brakes will not take it over a hill.

If we recognize somewhat more clearly what business is, I think we should have considerable less trouble in adjusting the component parts. If the employer realizes: (1) that his factory is not primarily a collection of machines; (2) that the wholly automatic machine never has, and never will be, invented; (3) that improvements in machinery are to be considered only as extensions of the power of the hand and the brain; (4) that the business cannot be truly successful unless hands and brains as well as machines are at work; (5) that he is in charge of something which is essentially human rather than essentially mechanical; if he realizes all this then he will not have labor trouble, for he will be filled with the thought that it is not the machines but the men who are creating and that there is now no ascertainable limit to creative ability and consequently no limit to its financial reward.

If the men hold this same point of view—that they are creating and producing and not merely working for someone—then they too will begin to see more clearly that the enduring rewards of industry are gained by effort and are not haphazard and accidental.

It is through representation that this mutuality of thought may be obtained and maintained. That is the end which I have in view in my thought on representation and, because this objective is so well defined, I do not like to stray into by-paths or to stop much to talk along the way about this or that which may for the moment seem to be of consequence, and that also is why I am more concerned with results than with objections.

The whole end of that which I term “industrial democracy” is to gain this mutual understanding. I am not interested in setting up formulas; I am not interested in grandiose plans for the national regulation of industry, because I think that intelli-

gence is not something which can be superimposed, but is a growth. I cannot see other than eventual harm growing out of the Whitley plan of Joint Industrial Councils, because the assumption there seems to be the not uncommon one that regulations can be continuously substituted for intelligence.

Individuals must know how to read before you can give them much education and, therefore, unless representation of workers in industry tends to give them a wider knowledge of industry and unless that representation equally educates the employer, we are not going to get very far with representation. It is not to be regarded merely as a shibboleth. For instance, if we set up a shop committee composed equally of representatives of the employers and employes merely to hear and to adjust complaints, we are not doing anything in a constructive way. Representatives whose main function is to receive and to adjust complaints and who have no constructive authority, will merely be prolific sources of trouble.

The settling of disputes is, of course, interesting, and undoubtedly is convenient, but it is not progress. It does not help anyone to be encouraged to air his troubles. If you organize a factory with the idea in mind that the people have been brought there primarily to have their grievances settled rather than to work, then you are but promoting an undoubtedly interesting clinic in hypochondria. I think the results of shop committees or other bodies organized solely on this basis bear out my statement.

My procedure is quite the opposite. I want to give responsibility for constructive action and then the complaints and differences which arise are viewed by the people not merely as disputes, but as impediments to progress and are to be treated as such.

My organization is simple. First comes a House of Representatives to which the workers elect representatives, the apportionment of representatives being a detail which will differ more or less with the character of the institution; the idea being that the House should be large enough eventually to contain most of the best brains among the workers and yet not so large as to be cumbersome. The House occupies, in the factory, much the same relation as does the House of Representatives at Washington in the affairs of the nation. The mere matter of terminology is

not to be neglected, for most workers are familiar with the federal government in at least a general way and a House of Representatives means something concrete to them.

The House appoints committees as the needs may arise, headed by a Ways and Means committee which is in the nature of a general steering committee. The acts of the House must be concurred in by the Senate, which is not elective, but which consists ex-officio of the foremen and superintendents and most of the officers below the top executive status. Either chamber may originate bills, their committees meet in conference to adjust differences, while, when need arises, the Senate and House sit together. They keep minutes; they observe rules of order and they legislate.

When a bill has been signed by the speaker of the House and the president of the Senate, it goes to the Cabinet. The Cabinet consists of the high executive officers of the company with the president of the company sitting in the chair. If they do not like the bill, they can veto it, or they can send it back with suggestions and explanations and also they can send messages suggesting certain legislation.

But it is a tribute to the common sense of the workers that never in any of the plants where this form of industrial democracy has been operating, has it been found necessary to exercise the right of veto. By the time any measure has been threshed out in the committees and on the floor of the Senate and the House, and has been taken up in joint committee, it is reasonably certain that it is a good law which would benefit both the men and the company.

This legislative formation exists for only one purpose, that is to promote the "square deal." It will not promote the "square deal," it will not give the participants an opportunity to inquire into and finally to know the processes of industry and how they may be improved, unless both sides are wholly convinced that the "square deal" is intended. I find that it is first necessary to convince both the employer and the employe that the other fellow desires to be fair. In other words, the plan has to be sold and it has to be kept sold continuously.

To begin an organization all at once is only to invite trouble. The employer is apt to say, "Well if this will turn the trick, I will give them representation."

While the employe will probably in turn say, "This is only some sort of a dodge on the part of the 'big boss'; I am not going to be fooled." And neither will then take any vital interest in helping to make the business better.

I want to emphasize this phase, because I see everywhere representation being urged as a remedy when in fact it is only a means. Therefore, it is always my practice before setting up fully the government, through several weeks, first with the management and then with the workers in mass meeting, to sell the *principles* upon which the organization will thereafter operate. That is, the principles of Justice, Coöperation, Economy, Energy and Service. I regard these principles as so important that I have added them to this article as an Appendix. They represent a kind of bill of rights, a working agreement, a new business policy, under which injustice becomes impossible.

These principles are invariably posted about the works and copies of them are put in the hands of everyone connected with the organization, from the chairman of the board of directors down to the newest office boy. For everyone is concerned in the conduct of the company; there is no such thing as considering the labor phase as something apart.

The results have been invariably that gradually mutual suspicion evaporates and the people turn to the making of a better company—to making a better product and in a more economical and efficient way.

I have in my possession a report made by the firemen and engineers in the Packard Company on the consumption of coal. These men are but ordinary workmen without any kind of scientific training, but they got so thoroughly on their jobs, they went so deeply into the science of firing that they turned out a report containing suggestions and then carried them out in a way that could not be bettered by a trained engineer. This is only one example. There are no end of others.

The participation of the workers in the direction of their daily tasks gives them a new point of view and causes them to attack their jobs in the spirit of craftsmanship. Their creative energy is stimulated and a task which previously had seemed only monotonous becomes an object of study to discover how the process may be bettered.

I have not touched upon remuneration. It is important, but it is not controlling. Unfair rates speedily come up in the legislature, are investigated by committees, and adjustments are recommended. The members of the legislature deal likewise with the question of hours. When they adopt the eight hour day, as they generally do, they always go into the subject with the utmost care to the end of discovering whether they can so better production and take up slack as to be able to do as much in eight as in nine or ten hours. I have often been surprised myself at the very thorough and intelligent investigation which practically every problem is given before decision. The wages as paid are the results of these adjustments. Because the men do their work more intelligently, the base wage, whether it be on piece or time basis, will generally be in excess of the market rate, although per unit of production, the percentage of wage will invariably decrease, which is as it should be.

In addition to the wages, the men receive a dividend payable at intervals, not exceeding one month, so that the work and the dividend will never lose connection. This dividend is calculated on the economies of operation. Not all economies are due to the workers, many are due to management, but it would be too difficult and too provocative to trace every economy or improvement in method to its source. The amount of money thus saved is divided into two parts, one part goes to the company and the other is distributed as a percentage dividend to the workers, their shares being based upon the rate of wage received. The man with a narrow business outlook who imagines that his processes have been perfected, will be surprised to learn that the process of cutting cost is apparently one which has no end. Of course, in these times, the economies are relative.

I have made no mention of how the unions view this form of organization. It is not anti-union, neither is it pro-union. The shops are never "closed," but the rate of wages and the hours are always beyond anything which the unions can reasonably or even unreasonably demand for the section. Therefore, there is no conflict on these points. In most of the companies with which I have been connected, the number of union and non-union men employed has been about equal—although in one shop which I have in mind, nearly every employe carried a union card. But—



and I imagine this is because there is nothing for the union to object about—I have never had a union conflict, while I have had many endorsements from local leaders and in several cases employes who were officers in the locals occupied positions of responsibility in the shop organization.

Since there is practically no point, excepting the closed shop, on which our companies might conceivably come into union conflict, I am not much concerned with the union phase. I regard unions as giving a beneficial protection against the unfair employer and it is quite contrary to human nature for men, union or otherwise, to insist upon mere formulas being observed when their essential rights are carefully guarded.

## APPENDIX

### BUSINESS POLICY OF THE PACKARD COMPANY

We, the Employes, Officers and Directors of the Packard Company, recognizing that "Justice is the greatest good and Injustice the greatest evil," do hereby lay and subscribe to, as the first corner-stone of our Policy, this greatest of all good,

#### JUSTICE

The fullest meaning of this word shall be the basis of all our business and personal dealings—between ourselves as individuals, between our company and those of whom we buy and between our company and those to whom we sell.

Justice shall be the first Corner-stone upon which we agree and determine to construct broader character as individuals and broader commerce as an institution.

We recognize that justice to ourselves necessitates taking advantage of every opportunity to do the best that is in us, and each day improve that growing ability.

We realize that merit must be recognized whether in ability or merchandise. With this certainty we cheerfully, hopefully and courageously press forward to certain and unqualified success.

The second Corner-stone of Our Policy is

#### CO-OPERATION

To accomplish the greatest possible results as individuals and as an institution we find Co-operation a necessity.

We recognize that business without Co-operation is like sound without harmony. Therefore we determine and agree to pull together and freely offer, and work with, the spirit of that principle—CO-OPERATION.

So we shall grow in character and ability and develop individual and Commercial Supremacy.

Differences of opinion shall be freely and fearlessly expressed, but we shall at all times stand ready to CO-OPERATE with and heartily support the final judgment in all matters.

The third Corner-stone of Our Policy is

#### ECONOMY

As each moment is a full unit in each hour and each hour a full unit in each day, so each well spent unit of thought and well spent unit of action makes for each victory and the final success.

When the hour, the day, the year or the life is filled with well spent ability, and an institution is composed of individuals who recognize the value of and so use their time, then success is controlled and governed and there is no longer that vague uncertainty or a blind and unreasoning hope.

Life is like a bag in which, each moment, we place a unit of value or of rubbish, and our present and future happiness depends upon the contents of that bag.

Recognizing that ECONOMY is time, material and energy well spent, we determine to make the best use of them, and so shall time, material and energy become our servants while we become the masters of our destiny.

The fourth Corner-stone of Our Policy is

#### ENERGY

As Energy is the power back of action, and action is necessary to produce results, we determine to ENERGIZE our minds and hands, concentrating all our powers upon the most important work before us.

Thus intensifying our mental and physical activity, we shall "Make two grow where one was," well knowing that our Individual and Commercial Crop of Results will yield in just proportion to our productive and persistent activity.

This power of Energy directed exclusively toward sound and vigorous construction leaves no room for destruction and reduces all forms of resistance.

Having set in our Business Policy, the four Corner-stones of JUSTICE, CO-OPERATION, ECONOMY, and ENERGY, we are convinced that the superstructure must be

#### SERVICE

We believe that the only sure and sound construction of success as an individual or an institution depends upon the quality and quantity of SERVICE rendered.

We neither anticipate nor hope to be unusually favored by fortune, but are thoroughly persuaded that fortune favors the performer of worthy deeds and of unusual service, and we therefore determine that our days and our years be occupied with such performance.

Quality shall always be the first element of our SERVICE and quantity shall ever be the second consideration.

Thus shall we establish not only the reputation but the character of serving best and serving most.

Therefore, by serving admirably, we shall deserve and receive proportionately.